

The Largest Tax Hikes In History?

Our country continues to face economic uncertainty going forward and clearly, we need to do more to stimulate growth and job creation. But, America is on the verge of receiving the largest tax hikes in our nation's history. At a time when our leaders' top priority needs to be restoring our economic health, this tax increase will be another negative blow to our staggering economy.

The fact is, every American will be affected by these tax hikes. The first major tax increase will occur at the start of 2011 when the tax cuts enacted by Republicans and Democrats in Congress and signed by President George Bush in 2001, expire. These tax cuts include lower rates for investors, small business owners, and families. The top tax rate on personal income will rise from 35 to 39.6 percent (this is also the rate at which two-thirds of small business profits are taxed). The lowest rate will rise from 10 to 15 percent. All the rates in between will also rise as well. Married couples will once again be hit with the marriage penalty, while the child tax credit will be cut in half. There will be a rise in the death tax that will hit our small businesses and family farms, and there will be higher tax rates on dividends and capital gains for those who choose to invest in our country's businesses.

Small business will see their costs rise as 50% expensing will disappear. Small businesses can normally expense (rather than slowly-deduct, or "depreciate") equipment purchases up to \$250,000. This will be cut all the way down to \$25,000. Larger businesses can expense half of their purchases of equipment. In January of 2011, all of it will have to be "depreciated."

The deduction for tuition and fees will no longer be available. Tax credits for education will be limited, and teachers will no longer be able to deduct classroom expenses. Coverdell Education Savings Accounts will be cut, and employer-provided educational assistance is curtailed. The student loan interest deduction will be disallowed for hundreds of thousands of families.

Charitable Contributions from IRAs no longer allowed. Until this year, a retired person with an IRA could contribute up to \$100,000 per year directly to a charity from their IRA. This contribution also counts toward an annual "required minimum distribution." This ability will no longer be there.

The second phase of tax increases includes twenty new higher taxes, every one of which is related to the health care legislation that passed the Congress in March. Americans will no longer be able to use a health savings account, a flexible spending account or health reimbursement pre-tax dollars to purchase non-prescription, over the counter medicines (except insulin). Starting next year, there will be a multi-billion dollar tax assessment imposed on name-brand drug manufacturers. This tax, like all excise taxes, will raise the price of medicine, hurting everyone. IRS agents will be empowered to disallow perfectly legal tax deductions and maneuvers merely because it judges that the deduction or action lacks "economic substance." And that's not even getting into the largest tax increase of all — the so-called "Cadillac Plan" tax increase which will punish employers who offer generous health insurance plans.

The third phase will occur because the Alternative Minimum Tax (AMT) exemption will not be extended, and millions of Americans who haven't been forced to pay this onerous, "super tax" will be hit with its significant effects. The AMT will ensnare over 28 million families, up from 4 million last year. These families will have to calculate their tax burdens twice, and pay taxes at the higher level. The AMT was created in 1969 to ensnare a handful of ultra-rich

taxpayers, but it has never been modified and it will now hit middle class families across the nation.

Taxes will be raised on all types of businesses. The biggest is the loss of the "research and development tax credit," but there are many, many others. Combining high marginal tax rates with the loss of this tax relief will cost jobs.

This country needs a catalyst for success and hitting the American people with new taxes will make an already stagnating jobs market worse. Higher taxes don't stimulate an economy, and they will only hurt us moving forward.